

The Risk Management 6 Step Process

Handout for Club Executive Seminar 2004 Risk Management: Events Presentation

The Risk Management Process is a tool your club can use to analyze your projects and functions for potential risks and be found in the Guide to Understanding Risk Management.

Many of you have seen and/or used the checklists available in the Risk Management Manual and on the website. When analyzing projects, activities or functions, use these checklists as a way to get started. They can help you get in the right frame of mind in terms of potential risks. Then use the RM Process to help you prepare for and be ready to deal with the unexpected.

The six steps are:

1. Determining Objectives
2. Identifying Risks
3. Evaluating Risks
4. Considering Alternatives
5. Implementing Decisions
6. Evaluating and Reviewing

As we go through the process over the next few slides keep in mind that you will need to spend some time with other club members brainstorming for the information to properly analyze your event in terms of risk management. Record all your information and keep it with the project file so it can be reviewed again the next time you put on this event or one similar.

We'll now go through each step in order to help you understand the process:

1. Determining Objectives

- What are your project goals? Why run the event?
- How do you plan to obtain your goals?
- What are the potential risks involved? (global/big picture)
- What responsibility are you ready to accept?
- Determine your minimum standard

2. Identifying Risks

There are four functional areas...

- **People** - Those involved with organizing, participating, owning property, spectators
 - Injury
 - Not enough participants?
 - Not enough Kin volunteers?
 - Kin Club
 - Partners (facility owners/donors)

- **Property**
 - Equipment, facilities, motorized vehicles and other property, making sure that it is safe and does not pose risks

- **Income**
 - Revenue and expenses, you want to be able to protect your money, can you afford to suffer from a loss, what are your limits
 - Set a budget and follow it as closely as possible
 - Should you have to cancel prior to the event, how will you recover costs already incurred? Printing, advertising, postage, deposits?

- **Goodwill**
 - Protect your name, if anything were to go wrong how much of a negative impact would it have on the KIN name

3. Evaluating Risks

Use your experiences and judgement to measure risks. There are two elements in determining the magnitude of the risk:

- **Severity**...or the seriousness of the injury, damage or loss
- **Frequency**...of the likelihood of the injury, damage or loss

Use a frequency grading scale 1-10 with 1 being low and 10 high. Then do the same with the severity, 1 being low and 10 high.

Examples:

Risk: theft of money from the cash box in a beer garden

Frequency: less than once a year, therefore you might give it a grade of 2 for low frequency

The severity might depend on the money in the cash box.

Risk: large amount of money could go missing, therefore you might give it a grade of 7 for severity

Once you have graded each risk for severity & frequency on a scale of 1 to 10 there is a method you can use to determine how each compares in significance to another and that is by adding the two numbers together and calculating it's percentage out of 100.

Using the above example we came up with a frequency grade of 2/10 and a severity grade of 7/10. Add them together to give you 9/20 which as a percentage works out to 45% (dividing the top by the lower number & multiplying by 100). If you do this for each of your risks you can easily see which are the risks that require the most attention.

The next step is to figure out how you might control such risks by using a high/low frequency/severity chart:

- **High Frequency/High Severity** - Avoidance (Eliminate) or Reduction
- **High Severity/Low Frequency** - Insurance
- **Low Severity/High Frequency** - Retention or Reduction
- **Low Severity/Low Frequency** - Retention

This chart gives you the options depending on the probability of the risk happening and the potential it has to harm your club.

- **High frequency, high severity**...your options lay mostly with avoidance...don't have the function, or reduction...taking steps to reduce either the severity or the frequency of that risk happening.
- **High severity, low frequency**...your best bet is insurance, the severity is probably so high that your club could not retain such damages however slim the chance of it happening, the severity gives you good reason to protect yourself from such a risk
- **Low Severity, high frequency**...gives you the option of retention, thus making sure that if the function fails, your club has the means to cover any losses, or reduction, again for this you would probably what to reduce the chance of this risk happening.
- **Low severity, low frequency**...this you can probably retain....in the case that such a risk would ever happen is low and even if it did it would not have a big enough impact on your club to put you in a worse position.

In the case of the stolen cash example you have a low frequency and high severity, therefore you might consider insurance as your control measure. Other options might be to remove money more often from the cash box, therefore allowing the opportunity for a large amount of cash to go missing. Find the control method that works best for your club/project.

3. Considering Alternatives:

There are four ways to control risks:

- **Retain the risk** - Smaller risks may be retained by simply absorbing them into your operation and budget e.g. risk of volunteers helping themselves to food or alcohol. Provide tickets and include as a line item in the budget
- **Transfer the risk** - Risks may be transferred to another party by mean of contract such as insurance or waivers. Must ensure waivers are signed and insurance coverage is adequate, in place and covers all areas of event with necessary third parties named.
- **Reduce the risk** - Reduce risks to acceptable levels through efforts to change the environment or change human behaviour.

- **Avoid the risk (Eliminate)** - You take steps to restrict, limit, postpone or cancel certain activities. Risks that are too great can be eliminated; at the extreme. Less extreme elimination strategies might involve replacing worn equipment or have a smaller event (# of participants).

A good risk management plan is an Appropriate, Reasonable, Affordable “mix” of strategies, suited to the club’s needs, circumstances and resources. The bottom line...use a variety of strategies that works best for your club.

5. Implementing the Decision

Once you have decided on a method to control your risks, make sure you follow through with it. Implement decisions with proper policies and procedures (house rules) so everyone involved understand what it is that they need to do in order to reduce the potential risk

6. Evaluating and Reviewing

This is a living document. Constantly review your decisions and plan. Set review dates/deadlines